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Message Text

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ACTION NEA-06

INFO OCT-01 SS-14 ADP-00 NSC-10 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 INRE-00 L-02 EB-03 ABF-01 TRSE-00

AGR-03 OMB-01 SSO-00 AID-10 PRS-01 H-01 RSR-01 CIEP-01

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O 271625Z JUL 73
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC IMMEDIATE 5834

C O N F I D E N T I A L NEW DELHI 8736

LIMDIS

E.O. 11652: GDS
TAGS: EFIN, PFOR, IN
SUBJECT: RUPEE NEGOTIATIONS

REF: STATE 146538

1. MAY I THANK ALL CONCERNED FOR AN UNUSUALLY LUCID AND EXTREMELY HELPFUL CABLE IN REPLY TO OUR REQUEST FOR GUIDANCE ON THE RUPEE NEGOTIATIONS.

2. WE HAD A SOLID MEETING YESTERDAY AFTERNOON WITH M.G. KAUL AND HIS ASSOCIATES AT THE FINANCE MINISTRY. WE RAISED EACH OF THE POINTS TOUCHED ON IN YOUR CABLE, AND WHILE WE DID NOT GET AGREEMENT ON THE SPOT TO EVERY ONE OF THEM, NOTHING WAS REJECTED. ALL SUCH POINTS WILL, IN KAUL'S PHRASE, BE PUT UP TO GOVERNMENT. THE TRICKIEST FOOTWORK FOR ME LAY IN EXPLAINING THE UNDESIRABILITY OF SETTING A FIXED PERIOD OF YEARS FOR THE EXPENDITURE OF THE U.S. TRUST FUND AS WE HAVE BEGUN TO CALL IT. AS MOST EVERYONE IN WASHINGTON KNOWS, THE RUPEE QUESTION HAS BEEN TRADITIONALLY DISCUSSED IN TERMS OF PROVIDING AMERICAN COSTS FOR A CERTAIN NUMBER OF YEARS. EVEN WHEN THOSE
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INVOLVED WERE THINKING OF FIXED SUMS, THE TALK TENDED TO

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BE OF TIME PERIODS. HENCE THE INDIAN NEGOTIATING STRATEGY TURNED ON BARGAINING OVER HOW LONG. I PRESENTED THREE SOMEWHAT AD HOC ARGUMENTS WHY THIS WAS NOT IN THE INTERESTS EITHER OF INDIA OR THE UNITED STATES. CERTAINLY THEY LISTENED. IF THEY DON'T RESPOND, I WILL SIMPLY TAKE THE MATTER TO THE POLITICAL LEVEL.

3. I WOULD SAY WE DID PRETTY WELL ON EACH OF THE OTHER POINTS EXCEPT THAT OF MAINTENANCE OF VALUE, WHICH IS THEOLOGICAL WITH THEM. I SAID I HAD NO FLEXIBILITY ON THE MATTER, HAD TRIED ONCE AFTER OUR FIRST MEETING WITH CHAVAN AND HAD BEEN TURNED DOWN FLAT, AND THAT WHILE I WOULD BE WILLING TO TRY AGAIN I HAD ONLY THE FAINEST HOPE BECAUSE THE MATTER IS JUST AS THEOLOGICAL WITH US.

4. KAUL IS OFF TO THE COMMITTEE OF TWENTY MEETING IN WASHINGTON AND THENCE TO OTTAWA FOR TTM COMMONWEALTH CONCLAVE. WE AGREED ON A LIST OF DETAILED QUESTIONS WE WOULD HOPE TO GET SORTED OUT BY THE TIME HE RETURNS.

5. OWING TO A COMBINATION OF INEFFICIENCY, SLOTH, AND THE SUDDEN APPEARANCE OF L.K. JHA I WAS NOT ABLE TO GET THE MINUTES OF YESTERDAY AFTERNOON'S MEETING IN FINAL SHAPE UNTIL AFTER THE CLASSIFIED POUCH HAD CLOSED THIS AFTERNOON. HENCE THEY WILL NOT REACH YOU UNTIL MONDAY A WEEK, FOR WHICH I APOLOGIZE. HOWEVER, WE CAN ANSWER ANY QUESTIONS YOU MIGHT HAVE BY CABLE. WE WOULD LIKE TO KEEP EVERYONE FULLY INFORMED AND WELCOME DETAILED COMMENT AND DIRECTIVE.

6. MY GENERAL READING IS THAT WE SHOULD HAVE AN AGREEMENT BY EARLY SEPTEMBER ON THE TERMS WE HAVE PROPOSED. THE PRIME MINISTER HAS BEEN MUCH IMPRESSED BY OUR ENTERPRISE IN THE MATTER, OR SO I AM DAILY INFORMED, AND THE GOVERNMENT SURELY SEES THE IMPORTANCE OF A SUCCESSFUL AND CORDIAL AGREEMENT. OUR PROPOSAL IS GENEROUS AND MORE THAN JUST. THEY KNOW THIS.
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